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# Supreme Court of the United States

October Term, 1973

No. 73-187

KEWANEE OIL COMPANY,
*Petitioner,*

vs.

BICRON CORPORATION, *et al.*,
*Respondents.*

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

## BRIEF FOR THE RESPONDENTS

### PRELIMINARY STATEMENT

This brief is submitted on behalf of the named respondents in reply to petitioner's brief. Respondents have not attempted to make separate replies to the sixteen amici briefs. Respondents have made occasional reference to some of those briefs and have dealt directly or by implication with most of the points raised in them. Our failure to reply to an amicus argument is not intended to concede it.

## INTERESTS OF RESPONDENTS

It is appropriate, although perhaps not customary, to set forth the interests of the respondents in this case.

The individual respondents are former employees of Kewanee or its predecessor Harshaw who pooled their limited resources to found Bicron. Even though the Court of Appeals indicated otherwise (Pet. App. 3), respondents have not breached any fiduciary duty nor have they done anything wrong (App. 66, Fdg. 46; App. 84, Fdg. 109 Dec. 11, 1970 Tr. 50).

Before they formed Bicron, they justified in the public literature each step that would be required in going into the scintillation detector field (App. 77, Fdg. 73). They were sued and without notice put under a temporary restraining order which forced them to cease operations. Bicron was closed down from April 17, 1970 until May 28, 1970. Bicron resumed operations at its own risk on May 28, 1970, which was the date the trial[2] ended (Tr. 1422, 1423 & 1429). Not until May 25, 1970, three days before the end of the trial, were they advised of the trade secrets which they were not supposed to use or disclose.

Their first effort to grow a crystal failed (App. 89, Con. 6). They were put under the "Order for Permanent Injunction" because the District Court concluded that Bicron's purification procedures would not work and that in order to grow sodium iodide thallium activated crystal successfully, they "must, of necessity, supplement the Richert formula with plaintiff's trade secrets" (App. 89, Con. 6), notwithstanding (a) the admission of the vice-president

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[1] The Court of Appeals sustained the findings of fact of the District Court (Pet. App. 5).

[2] The trial started out as a hearing on whether or not Kewanee was entitled to a preliminary injunction. At the end of the trial, however, both parties agreed that the case should be submitted on the ultimate issue, i.e., whether or not Kewanee was entitled to a permaneent injunction (Tr. 1425 & 1429).

and general manager of Harshaw's crystal-growing operations that a person could follow the purification procedures of Harshaw's two expired purification patents and have "a commercial product" (App. 56, Fdg. 14), and (b) the finding that Harshaw had failed to establish that any of the processes, procedures and manufacturing techniques for the purification of sodium iodide were trade secrets (App. 82, Fdg. 94).

The District Court not only issued the permanent injunction here in question but, at Kewanee's insistence and on the theory it should "preserve the status quo", issued an "Order for Injunction Pending Appeal" (App. 97) which restrained Bicron, during the pendency of the appeal, from using those of Harshaw's purported trade secrets which had been found to be in the public domain.

The immediate interest of respondents is to sustain the decision of the Court of Appeals. In addition, respondents seek to prevent a recurrence of their own experiences and to strike a fairer balance, procedurally and substantively, between the interests of all persons involved in the laws of industrial property.

## COUNTERSTATEMENT OF QUESTION PRESENTED

The injunctive relief granted by the District Court was "permanent", as indicated in its title, and not "limited" as suggested by petitioner. The Court of Appeals held that ". . . the Trade Secret Laws of the State of Ohio may not afford to the plaintiff in this case protection which the plaintiff could not obtain under the Patent Laws" (Pet. App. 25), meaning that no one could be permanently enjoined under trade secret law from practicing what was a prior public use under the patent statutes.

Respondents submit that, in the context of this case, the question should be:

> "Whether, without being in conflict with the patent statutes, the trade secret laws of the State of Ohio can provide permanent injunctive protection to an employer against former employees with respect to processes and equipment which that employer has used for more than a year and for which that employer could not have obtained any federal patent protection."

## COUNTERSTATEMENT OF THE CASE

The processes, methods and techniques for the manufacture of sodium iodide thallium activated scintillation crystals are by no means the exclusive development of Kewanee.

Sodium iodide thallium activated crystals were invented by Professor Robert Hofstadter of Princeton University. He obtained a patent on them, which has expired (Def. Ex. E, Tr. 301, 1119). The furnaces for growing such crystals were invented by Professor Donald Stockbarger of the Massachusetts Institute of Technology, were described in published articles, and were patented by him (Pl. Ex. 40, Tr. 264, 266, Def. Ex. R-7, Tr. 958, 1194). The Stockbarger patent has expired. Harshaw had two patents on purifying the sodium iodide for use in the manufacture of these crystals, and those patents have now expired (Pl. Ex. 38 & 39, Tr. 260, 263).

The United States Atomic Energy Commission paid Harshaw many hundreds of thousands of dollars to work out the commercial development of scintillation crystals (Def. Ex. Z, Tr. 1277). This work was written up and published (App. 53, Fdg. 6).

There were a number of places where people were doing work and writing papers on scintillation crystals including the Argonne National Laboratory and the Oak Ridge National Laboratory (App. 62, Fdg. 40). While three United States companies, other than Harshaw, grow sodium iodide thallium activated crystals, Harshaw is the largest company, is the only one that grew 17 inch crystals, and is the forerunner in the field (App. 100-101, Fdg. 6). Harshaw had no knowledge of the processes and procedures used by its competitors (Tr. 1407), nor was there any other proof of the processes and procedures being used by others in the field (App. 83, Fdg. 103). Harshaw finally acknowledged that its trade secrets applied to all sizes of crystals, including those sizes grown by its competitors, not just to the 17 inch crystals (Tr. 1410).

Harshaw did not take the necessary precautions to protect its trade secrets. The District Court chronicled numerous instances of lack of security but concluded that the breaches had not been sufficient to place the claimed trade secrets in the public domain (App. 83-85, Fdgs. 104-108).

Harshaw's policy was to give *all* employees access to the Elyria plant, where the crystals were grown, in order ". . . to bring these people together . . . as a form of teamwork. They must know about the crystal's history, . . . they have been free to go to the Elyria plant and move about that plant. We obviously trust these people and see no reason to inhibit their movement about the plant." (Tr. 251).

Individual defendant Hamner was never employed by Harshaw and did not have a written agreement with it. He was employed by Hamner Electronics Company which he had founded and sold out to Harshaw. Hamner Electronics was a wholly-owned subsidiary of Harshaw. Ham-

ner had a ten-year employment contract with Hamner Electronics (Pl. Ex. 10) which did not expire until 1974. Harshaw voided that contract by dissolving Hamner Electronics (App. 69, Fdgs. 49 & 50).

Everything Bicron did was its own work product. There is nothing in this record to suggest that any of the individual defendants took with them any Harshaw blueprints or other documents which embodied any of the purported trade secrets of Harshaw. In addition to Richert, whom Bicron consulted for the purposes of preparing its purification procedure, Bicron consulted an independent engineering firm to design its growth furnace and another independent contractor to design the heating elements (App. 56, Fdgs. 17 & 18). The Bicron furnace did not look like the Harshaw furnaces (App. 56, Fdg. 19).

No written description of the Harshaw growing procedures, no blueprints of its furnaces, and no photographs of existing equipment were introduced into evidence by Harshaw to support its trade secret list, plaintiff's exhibit 56 (App. 59-60, Fdg. 39). The only area in which any documents were introduced to establish Harshaw's purported trade secrets was in purification (Pl. Ex. 46, 47 & 48), and there Harshaw misrepresented the "company confidential" markings thereon (Tr. 577, 628).

In instituting this litigation, Kewanee's clear purpose was to maintain its monopoly and eliminate Bicron as a competitor. In its complaint, Kewanee sought a permanent injunction to prevent the individual defendants from remaining in the employ of Bicron and Bicron from employing them in product areas which could result in the disclosure or use of its purported trade secrets (App. 23 & 24). Even though the November 24, 1970 findings of fact and conclusions of law had been sealed at Kewanee's request, Kewanee planted newspaper articles and generally

circulated throughout the trade announcements that it had won the litigation and that individual respondents could not work for Bicron (Def. Ex. BB, CC, DD, EE, Tr. Dec. 11, 1970). Kewanee justified its actions by language taken from paragraph A(2) of the "Order for Permanent Injunction", which interpretation the district court disclaimed (Dec. 11, 1970 Tr. 52-55).

The federal preemption issue was fairly raised in the district court.[3]

The Court of Appeals had the case under advisement for a long time and it was argued twice, first on October 20, 1971 and then on April 10, 1972.

## ARGUMENT

### I. We Start with Goldstein: Bicron Takes No Position On Article I, Section 8, Cl. 8.

The obvious starting point for consideration of the question here presented is *Goldstein et al. v. California*, 412 U.S. 546 (1973), which was handed down a little over a month after the decision of the Sixth Circuit Court of Appeals.

In *Goldstein*, the Court first addressed itself to the question of whether or not exclusive power over copyrights must be inferred from Article I, Section 8, cl. 8 of the Constitution. The answer was in the negative. The Court recognized that the interests of a state which grants copyright protection may be adversely affected by other states which do not grant copyright protection but concluded that the conflict was neither so inevitable nor so

[3] See "Reply Memorandum to Plaintiff's 'Statement of Reasons in Support of Preliminary Injunction' filed in the district court on May 25, 1970, pages 3-5 and "Defendants' Proposed Conclusions of Law" filed July 17, 1970, page 1, which makes reference to that reply memorandum.

severe as to compel the conclusion that state power had been relinquished to the exclusive jurisdiction of Congress. The Court examined the concurrent exercise of the power to grant copyrights by Congress and the States and determined that a conflict would develop if a state attempted to protect that which Congress intended to be free from restraint or attempted to free from restraint that which Congress intended to protect. Where Congress determined that neither federal protection nor freedom from restraint was required by the national interest, then the state could act and there would be no conflict, which was found to be the situation in *Goldstein*.

The Court of Appeals held that the permanent injunction issued by the District Court was void under the Supremacy Clause (Article VI, cl. 2) and cannot be said to have addressed itself to the exclusive power question. Neither will Bicron.

Bicron suggests that the differences between the nature of patents and copyrights makes it difficult to find an area which Congress has neither attempted to protect nor attempted to free from restraint so that a state can act without conflict. Bicron discusses those differences infra in the context of the Supremacy Clause. Bicron notes that there is no expressed intent of Congress to reserve powers in the States with respect to patents and trade secrets as there was with copyrights.[4]

Bicron believes that the arguments in favor of Supremacy Clause preemption are compelling and does not wish to become entangled in the question of whether or not exclusive power over patents and trade secrets must be inferred from Article I, Section 8, cl. 8.

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[4] 17 U.S.C. 2

## II. There Is a Supremacy Clause Conflict Per the Tests of Goldstein.

Following *Goldstein*, the next question is whether the perpetual injunction granted by the District Court "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress" *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941) and is, therefore, void under the Supremacy Clause (Article VI, cl. 2) as found by the Court of Appeals.

**A.** In *Goldstein*, the Court found clear Congressional intent *not* to include mechanical recordings within the scope of the copyright statutes and consistent rulings of the Registrar of Copyrights that mechanical recordings were not entitled to protection under the copyright statutes. In the case at bar, there is clear Congressional intent[5] to include the subject matter of the permanent injunction within the scope of the patent statutes. Kewanee admitted that these trade secrets were patentable subject matter (Pet. App. 7).[6]

The first significant distinction between this case and *Goldstein*, therefore, is that in the *Goldstein* situation Congress had stayed its hand entirely and had indicated that mechanical reproductions were outside of the scope of the Copyright statutes so California was at liberty to act, whereas in this case, Congress has included the trade secret subject matter in issue within the scope of the patent statutes.

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[5] 35 U.S.C. 101

[6] In footnote 11, page 35 of its brief, Kewanee suggests that its admission went only to that one trade secret upon which it filed a patent application, obtained a notice of allowance, and then abandoned the application by not paying the final fee, choosing instead to maintain the information as a trade secret (Tr. 1265). Kewanee's admission went to all of its purported trade secrets because those trade secrets (Pl. Ex. 56) were all patentable subject matter as any examination of them will disclose. The appeal was argued twice. Kewanee reaffirmed its admission in the course of the second argument.

**B.** The second significant distinction between this case and *Goldstein* is in the respective natures of patents and copyrights. The differences between patents and copyrights are set out in *Baker v. Selden*, 101 U.S. 99, 102-103 (1880); *Mazer v. Stein*, 347 U.S. 201, 217-219 (1954) and *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 100-104 (2d Cir. 1951).

Copyrights protect specific writings, need not be original, are obtained by registration without examination, and have a term of twenty-eight years from the date of first publication, which may be renewed for another twenty-eight years.[7] Unlike copyrights, patents protect embodiments of ideas and concepts, must be original and beyond the skill in the art, must be a full disclosure of the idea sought to be protected[8], are obtained from the Patent Office only after examination, and have a term of seventeen years[9] after which they are dedicated to the public.[10] A copyright gives protection only to the expression of the idea—not the idea itself. *Mazer v. Stein*, 347 U.S. at 217. There are substantial differences between patents and copyrights. Patents have much broader scope and application, which this Court seemed to recognize in *Goldstein* when it said:

> ". . . The California statutory scheme evidences a legislative policy to prohibit 'tape' and 'record piracy,' conduct that may adversely affect the continued production of new recordings, a large industry in California. Accordingly, the State has, by statute, given to recordings the attributes of property. *No restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free*

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[7] 17 U.S.C. 24

[8] 35 U.S.C. 112

[9] 35 U.S.C. 152

[10] *Scott Paper Co. v. Marcalus Manufacturing Co. Inc.*, 326 U.S. 247, 255 (1945), (Pet. App. 16 & 17).

> *to record the same compositions in precisely the same manner and with the same personnel as appeared on the original recording.*" 412 U.S. ___ ___, 1973 (emphasis supplied)

Unlike the situation in *Goldstein*, the permanent injunction here places direct restraints on the use of ideas and concepts.

**C.** Still following *Goldstein*, the remaining inquiry would seem to be into the purposes and objectives of Congress in passing the patent act and whether the permanent injunction of the District Court interferes with those purposes and objectives.

The introduction to the 1966 "Report of the President's Commission on the Patent System" justified the worth of the patent system as follows:

> "First, a patent system provides an incentive to invent by offering the possibility of reward to the inventor and to those who support him. This prospect encourages the expenditure of time and private risk capital in research and development efforts.
>
> Second, and complementary to the first, a patent system stimulates the investment of additional capital needed for the further development and marketing of the invention. In return, the patent owner is given the right, for a limited period, to exclude others from making, using, or selling the invented product or process.
>
> *Third, by affording protection, a patent system encourages early public disclosure of technological information, some of which might otherwise be kept secret.* Early disclosure reduces the likelihood of duplication of effort by others and provides a basis for further advances in the technology involved.
>
> Fourth, a patent system promotes the beneficial exchange of products, services, and technological information across national boundaries by providing

protection for industrial property of foreign nations." (emphasis supplied)

The 1965 report of the Patent, Trademark and Copyright Subcommittee of the Judiciary Committee of the United States Senate said: [11]

"Another major objective which industry believes should be accomplished by the patent system is to advance the cross-fertilization of ideas by encouraging publication of inventions rather than their suppression as trade secrets."

In Study No. 1[12] prepared by Dr. Vannevar Bush in 1956 at the request of the Subcommittee on Patents, Trademarks and Copyrights of the Judiciary Committee of the United States Senate, Dr. Bush set forth the three great objectives of the patent system in these words:

"First, it aims to stimulate both invention and the assiduous search for new applications of knowledge, which is the basis of invention. It does this by placing the inventor in a position to secure a reward.

Second, it seeks to create conditions whereby the venture of funds to finance the hazardous introduction into public use of new devices or processes will be warranted. This is done by protecting the industrial pioneer for a limited time against the uncontrolled competition of those who have not taken the initial financial risk.

*Third, it aims to prevent the creation of an industry permeated by the intense secrecy with regard to its processes which characterized the medieval guilds and which can only retard the realization by the public of the benefits of scientific progress. This it does by extending a temporary monopoly to those*

[11] JOURNAL OF THE PATENT OFFICE SOCIETY, May 1965, Vol. XLVII, No. 5, p. 314.

[12] "Proposals for Improving the Patent System"— Study of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, 1956, p. 1.

> *who, in keeping with the American idea of openness and frankness, will make a full disclosure of their new ideas so that they may be utilized to the full by those skilled in a particular art.*" (emphasis supplied)

Secrecy works against the patent system. In Study No. 2[13] prepared for the above same subcommittee by George E. Frost, Esq., he said:

> ". . . , secrecy works against the competition stimulated by the patent system. Apart from the competitive aspect, secrecy is undesirable because there is a public value in having as much technical knowledge spread upon the public record as possible."[14]

The briefs of the amici say very little about the patent system and the benefits of the free flow of technological information. They do indicate such reliance on state trade secret protection as to have an adverse effect on the purposes of the patent system.

**D.** The enforcement of trade secret laws is not uniform from state to state. In some states, the courts grant a permanent injunction, as did the District Court here, and in some states they grant a "reverse engineering" or "head start" injunction, as in Illinois and Nebraska.[15]

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[13] "The Patent System and the Modern Economy"— Study of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, 1957, p. 4, footnote 5.

[14] Also see Frost, *Patent Rights and the Stimulation of Technical Change*, published in PATENTS AND PROGRESS, ed. by Anderson, Terpstra, and Shapiro, p. 61, 67-68 (1965), where he said:

> "A second important aspect of the patent system is that it encourages disclosure of technical advances and discourages secrecy. To the extent scientific information is kept secret, there is a strong retarding factor in the advance of technology. The free flow of both basic and applied scientific knowledge is absolutely essential to the most rapid rate of progress and maximum utilization of our scientific resources."

[15] *Northern Petrochemical Company v. Tomlinson et al.*, 179 USPQ 386 (7th Cir. 1973); *Hampton v. Blair Manufacturing Company* 374 F.2d 969 (8th Cir. 1967).

The sodium iodide thallium activated crystals which are the subject matter of the permanent injunction are used in the detection of uranium ore, in the detection of malignant tumors in medicine, in the location of oil, and in other uses involving the detection of gamma ray radiation. It is difficult to find a subject matter with more currently significant areas of interest to the national economy.

It cannot be said of this subject matter, as was said in *Goldstein*, that it is of "purely local importance" or that there is not a need for uniformity of laws from state to state.

## III. Public Policy Is the Controlling Consideration, Not Private Right And Wrong.

Bicron need not remind this Court that it is primarily concerned with public policy. One of the most difficult aspects of this case and of previous intellectual property cases is to strike the balance between private wrong and public good.

In the *Sears* and *Compco* cases[16] the defendants were copiers who competed "unfairly" with the plaintiffs. In *Goldstein* the defendants were "tape pirates" who capitalized on the talents of others. In *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), the licensee was trying to avoid a private contractual obligation not to contest the validity of plaintiff's patent. In *Scott Paper Co. v. Marcalus Mfg.*, 326 U.S. 249 (1945), the defendant assigned all of his patent rights to plaintiff and then proceeded to infringe them on the grounds that such was justified by the prior art.

In this case, the individual respondents are charged to have breached a confidential relationship and used the

[16] *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

information obtained during their employment at Harshaw for the benefit of Bicron.[17]

The touchstone here, as in each of the subject cases, is not private right or wrong but rather what is in the public interest and, more particularly, the interests of the patent system and the strong federal policy favoring the full and free use of ideas which do not merit patent protection. *Lear*, 395 U.S. 656.

## IV. There Are Direct Conflicts Between the Patent Statutes and the Permanent Injunction of the District Court.

The "Order for Permanent Injunction" (App. 92) of the District Court enjoins the individual respondents and Bicron from "using and/or communicating or divulging" approximately twenty designated trade secrets. It provides, in paragraph D, that Bicron et al.

> "shall not be restrained by this injunction from using any trade secret of plaintiff after it has been released to the public by plaintiff, such as by the issuance of a patent, or has otherwise become generally available to the public or other members of the industry or is obtained by defendants from sources having the legal right to convey such information."

**A.** For practical purposes, the injunction will continue until such time as Kewanee chooses to make one or more of its purported trade secrets public, a most unlikely event. There is no time limitation.

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[17] Bicron and the individual respondents again emphatically deny that they have done anything wrong or improper and refer this court to the findings of fact of the District Court Nos. 46 and 109 (App. 66 & 85).

The term of any patent injunction would be for the remaining life of the patent, most likely something substantially less than seventeen years.

**B.** The purported trade secrets are vaguely defined [18] in terms which do not meet the requirements of the patent statutes.[19] Because of this lack of specificity with respect to trade secrets, a trade secret injunction is more burdensome and oppressive than a patent injunction.[20]

**C.** The most direct and irreconcilable conflict arises from the fact that all of Kewanee's purported trade secrets had been in public use for more than a year and could not have been the subject of any patents, but nevertheless were protected by the permanent injunction of the District Court. Kewanee obtained permanent injunctive relief via state trade secret law which it could not have otbained via the patent statutes.

## V. Enjoining Bicron Is the Equivalent of a Patent Monopoly.

Kewanee argues (Pet. Br. 26) that the permanent injunction of the District Court was not the equivalent of a patent monopoly because it only enjoined Bicron and did not convey any right to enjoin anyone else. There were

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[18] For example, trade secrets 3(d) and 4(f), Pl. Ex. 56

[19] 35 U.S.C. 112

[20] Kane, *Injunctive Relief Under Trade Secret Law: The Fatal Flaw*, JOURNAL OF THE PATENT OFFICE SOCIETY, Dec. 1971, Vol. 53, No. 12, p. 797.

*E. W. Bliss v. Struthers-Dunn, Inc.*, 408 F.2d 1108 (8th Cir. 1969).

It should also be noted that preliminary injunctions are granted in trade secret cases much more readily than in patent cases. See *Carter-Wallace Inc. v. David-Edwards Pharmacal Corp.*, 443 F.2d 867, 872 (2d Cir. 1971), and MILGRIM, TRADE SECRETS, Section 7.08(1).

only three competitors and Bicron was the fourth. The permanent injunction enjoined one of the few persons that counted, namely Bicron. If Kewanee would have had a patent monopoly, Bicron is the only person it would have sued.

Some commentators now say that secrecy protection is more advantageous than patent protection.[21] Kewanee itself interpreted the injunction as a great victory which prevented the individual respondents from working for Bicron.[22]

The injunctive rights given by the state trade secret law in this case were the equivalent of those given by the patent statutes. Whatever practical differences there might have been are not enough to eliminate a substantial conflict between the patent statutes and the state trade secret law.

## VI. The Court of Appeals Was Not Misled by Any Play on the Term "Public Use."

Kewanee argues (Pet. Br. 28) that the Court equated "public use" with "public domain" and thereby determined that there was a conflict between the patent statutes and the state trade secret law.

The conflict which the Court of Appeals found was that state trade secret law gave Kewanee protection which it could not have obtained under the patent statutes (Pet. App. 24-25).

The Court of Appeals was not misled by any play on the words "public domain" and "public use." In phrasing the issue before it, the Court did not use either of those words (Pet. App. 7 & 8). The only instance in which

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[21] Adelman, *Secrecy and Patenting: Some Proposals for Resolving the Conflict*, 1973 AMERICAN PATENT LAW ASSOCIATION QUARTERLY JOURNAL, Vol. 1, No. 4, p. 298 & footnote 15.

[22] Dec 11, 1970 Tr. 52 Def. Ex BB, CC, DD & EE.

the Court used the words "public domain" was in characterizing the holding of this Court in *Lear* (Pet. App. 21).

Pursuing the same line, Kewanee argues (Pet. Br. 32) that *Sears, Compco* and *Lear* support the conclusion that the patent statutes preclude protection under state law only of things which as a matter of fact are known or readily available to the public.

What *Sears, Compco* and *Lear* hold is that all ideas must be considered to be dedicated to the common good unless they are protected by a valid patent. At the beginning of *Lear*, Mr. Justice Harlan characterized the thrust of these decisions as follows:

> "We granted certiorari in the present case, 391 U.S. 912, to reconsider the validity of the Hazeltine rule in the light of our recent decisions emphasizing *the strong federal policy favoring free competition in ideas which do not merit patent protection.*" 395 U.S. at 656 (emphasis supplied).

Kewanee's attempt to create a middle ground between ideas in general circulation and ideas which are not protected by a valid patent, its so-called "secret public use", is a diversion from the issue before this Court and in no way avoids the clear conflict presented by the facts of this case. There is no middle ground.

## VII. Decisions of Other Circuit Courts.

Kewanee argues (Pet. Br. 36) that all circuits which have considered the question other than the Sixth Circuit agree that there is no preemption.

The only case directly in point is *Dekar Industries Inc. v. Bissett-Berman Corp.*, 434 F.2d 1304 (9th Cir. 1970), wherein the court devoted only one sentence to the conflict question.

In *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971), the preemption issue was not raised by the parties but instead was injected into the case by the district court sua sponte. On appeal, even though the prevailing party declined to argue the issue, the Second Circuit Court of Appeals felt constrained to pass upon it. The controlling issues were contractual involving a know-how license and payment for past services, not an injunction.

*Servo Corp. of America v. General Electric Co.*, 337 F.2d 716 (4th Cir. 1964), was decided right after the *Sears-Compco* cases and was distinguished from them on the basis of a breach of a confidential relationship.

*Water Services, Inc. v. Tesco Chemicals, Inc.*, 410 F.2d 163 (5th Cir. 1969), was a contract case in which the federal preemption statements are pure dicta.

For obvious reasons, Kewanee has keyed its argument into the rationale of *Painton v. Bourns,* which involved a different fact situation and did not concern the conflict between a permanent injunction and the patent statutes. These arguments have been dealt with elsewhere in this argument, particularly sections IIC, VI and VIII. *Painton v. Bourns* was decided before *Goldstein,* in 1971.

## VIII. The Differences in the Interests Being Protected Do Not Avoid the Conflict.

Kewanee argues (Pet. Br. 37) that the interests protected by Ohio law of trade secrets are different from and do not conflict with federal patent policy. It cites an example wherein an inventor discloses in confidence his new idea to a large corporation which did not previously know of it. The corporation refuses the idea but thereafter, in breach of its argeement with the inventor, puts the idea in public use for over a year before the inventor discovers

what has been done. Bicron does not contend that the inventor should be denied all legal relief under contract law. Bicron does contend that the inventor could not obtain any permanent injunctive relife.

Kewanee's example leads to an interesting observation, which is that the policy of most large corporations is to refuse to accept any disclosures from individual inventors except upon the condition that they waive their confidential disclosure rights and rely exclusively upon their rights under the patent statutes.[23] In other words, in the dealings between individual inventors and corporations,the corporations favor the federal preemption doctrine.

In any event, the differences between patents and trade secrets do not avoid the conflict in this case.

## IX. There Is No Conflict With the Ohio Criminal Statute.

Kewanee refers (Pet. Br. 40) to the trade secret criminal statute of Ohio, O.R.C. §1331.51(C), which forbids conversion of "an article representing a trade secret" by anyone who obtained access to that article without the owner's consent. This statute forbids the trusted employee from stealing models, writings, blueprints,[24] and the like. It is a criminal statute of narrow scope. There is no conceivable conflict between this statute and the patent statutes. The decision of the Court of Appeals

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[23] MILGRIM, TRADE SECRETS, Section 8.03(3); AMERICAN MANAGEMENT ASSOCIATION BULLETIN 64, 1965 "Trade Secrets", p. 19.

*Van Rensselaer v. General Motors Corporation*, 324 F.2d 554 (6th Cir. 1963) *cert den.* 377 U.S. 959

[24] Blueprints and other writings can be protected by common law copyright. *Nucor Corporation v. Tennessee Forging Steel Service Inc.*, 476 F.2d 386 (8th Cir. 1973).

cannot be twisted into one which would render such state statutes void.

## X. There Are No Prior Decisions Which Are Directly in Point Which Can Be Read Into the 1952 Patent Statute.

Kewanee argues (Pet. Br. 41) that decisions of this Court prior to the enactment of the 1952 Patent Code recognized that there could be peaceful coexistence between state trade secret law and the patent statutes and that such decisions must be read into the 1952 Patent Code.

In the first place, none of the decisions cited by Kewanee dealt squarely with the question now before this Court. The references to trade secrets were dicta in the context of other issues. Before any decision can be read into a statute, it should be one which is directly in point.

In the second place, times change. What seems to be happening now is a flight from the patent laws to reliance on state trade secret laws.

## XI. The Statutes Do Not Conflict With the Sixth Circuit Rule Because They Are Concerned Principally With Disclosure, Not Use.

There is nothing in the statutes, treaties [25] and court rules cited by Kewanee (Pet. Br. 47) which reinforces its position or conflicts with the decision of the Court of Appeals.

To begin with, the term "trade secrets" as used in these statutes has much broader meaning and application than the same term when used in these proceedings. In the

[25] The language of the treaties is so broad and nebulous as to be meaningless for purposes of this argument.

statutes it means all sorts of proprietary business information within and without the scope of patentable subject matter. In these proceedings, insofar as the permanent injunction is concerned, the term "trade secrets" means patentable subject matter which has been in public use for more than a year.

The statutes are mostly criminal statutes which prohibit the disclosure by government employees of information furnished to them in the course of enforcing regulatory laws such as the securities laws or the air pollution laws. What they require is that when someone makes a disclosure to the federal government of various classes of confidential or proprietary information, the government has to honor the confidentiality of the disclosure.

The thrust of these statutes and of court rules is to protect trade secrets against *disclosure*.

The conflict found by the Court of Appeals is with respect to *use*.

When a patent owner obtains an injunction pursuant to the patent statutes, it prohibits the other party from making, using or selling the invention claimed in the patent, but there is never any injunction against disclosure because the invention has already been disclosed in the patent. The most that can be said of the statutes and court rules cited by Kewanee is that they recognized rights against the disclosure of trade secrets. There is no problem accommodating into a harmonious body of law the ruling of the Court of Appeals and the various statutes and court rules noted by Kewanee.

## XII. The Decision of the Court of Appeals Should Be Given a Narrow Interpretation Consistent With Other Contemporaneous Decisions.

Kewanee argues (Pet. Br. 50) that a large volume of business transactions have been generated in reliance upon state trade secret laws and that, should this court affirm the Court of Appeals, agreements and valuable property rights will be voided.

This is the other side of Kewanee's persistent efforts to characterize the decision of the Court of Appeals in the broadest possible terms.

The question before the Court is whether the permanent injunction of the District Court conflicts with the patent statutes. This Court only has to answer that question. There is no record on the multi-faceted economic issues which Kewanee and the amici are seeking to inject into the case. Bicron cannot cope with such issues nor should it be expected to.

The concern of the amici briefs seems for the most part to be with respect to the licensing of technology, which they seek to characterize as trade secret licenses but which Bicron would more accurately characterize as technical service agreements. The Court of Appeals did not touch on these matters. In another decision, *Troxel Manufacturing Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253 (6th Cir. 1972), it held a licensee to its contract and would not permit a refund for royalties paid under an invalid patent. In *United States v. Greenwald*, 479 F.2d 320 (6th Cir. 1973), the Court of Appeals held that trade secrets were "goods, wares or merchandise" within 18 U.S.C. 2314 of the federal criminal code.

The practice of the Sixth Circuit Court of Appeals is to circulate copies of all proposed opinions among all judges, not merely the members of the panel who heard

the case.[26] It must be assumed that the actions of the Court of Appeals are consistent. There is no reason to believe that it intended to nullify all technical service agreements. What the Sixth Circuit Court of Appeals did was to eliminate a direct conflict between state trade secret law and the patent statutes and thereby encourage the disclosure and public use of ideas.

## XIII. The Patent System Favors Research And Development

Some of the amici contend that an affirmance of the decision of the Court of Appeals will take away the rewards and incentives for diligent and fruitful research and decrease the level of invention and innovation in this country.

George E. Frost, Esq., in Study No. 2, indicated that the patent system supported most of this activity, not any state trade secret system.[27] Dr. Vannevar Bush said that research scientists publish freely and deplore secrecy.[28] To illustrate the undesirability of secrecy, Dr. Bush used the history of obstetrical forceps, which were held secret and passed down from father to son while many women suffered unnecessarily.[29]

The objects of the American Chemical Society[30], as set forth in its charter, are:

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[26] PRACTITIONERS' HANDBOOK FOR APPEALS TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT, p. 44.

[27] Study No. 2, *supra*, p. 1-14.

[28] Study No. 1, *supra*, p. 2-3.

[29] Study No. 1, *supra*, p. 3. See also Rines, *Do We Need A Patent System*, JOURNAL OF THE PATENT OFFICE SOCIETY, Aug. 1969, Vol. 51, p. 525.

[30] The American Chemical Society filed an amicus curiae brief in support of Kewanee but then withdrew it.

"That the objects of the incorporation shall be to encourage in the broadest and most liberal manner the advancement of chemistry in all its branches; the promotion of research in chemical science and industry; the improvement of the qualifications and usefullness of chemists through high standards of professional ethics, education, and attainments; the increase and diffusion of chemical knowledge; and by its meetings, professional contacts, reports, papers, discussions, and publications, to promote scientific interests and inquiry, thereby fostering public welfare and education, aiding the development of our country's industries, and adding to the material prosperity and happiness of our people." P.L. 358, 75th Cong., 1st Sess. (1937).

The patent system favors research and development, not any state trade secret system.

The Court is not being asked to nullify the state trade secret law nor reward reprehensible business conduct. The Court is being asked to eliminate a direct conflict between the federal patent system and state trade secret law and to modify state trade secret law to the extent that it interferes with the purposes and objectives of the patent system.

## CONCLUSION

The decision of the Sixth Circuit Court of Appeals promotes the Patent System and strikes a fairer balance between the interests of all involved in the law of industrial property. There is a direct conflict between the permanent injunctive relief granted to Kewanee by the District Court under Ohio law and the fact that it could not have obtained any relief under the patent statutes. The decision of the Sixth Circuit Court of Appeals should be affirmed.

Respectfully submitted,

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